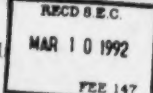


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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549



Quarterly Report Under Section 13 of 15(d) of
The Securities Exchange Act of 1934

For the Quarter Ended January 31, 1992

Commission File No. 0-15200

TEXAS SECURITIES, INC.

(Exact name of Registrant as specified in its charter)

Utah

(State or other jurisdiction of
incorporation or organization)

PROCESSED BY

75-1589073

(I.R.S. Employer
Identification No.)

MAR 30 1992

Microfilmed by

4200 South Hulen, Suite 536

Q-Data Corp. - St. Petersburg, FL

Fort Worth, Texas

(Address of principal executive offices)

L30

76109

(Zip Code)

Registrant's telephone number,
including area code: (817) 732-0130

Not Applicable

(Former name, former address and former fiscal year, if changed since last
report)

Indicate by check mark whether Registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934
during the preceding 12 months (or for such shorter period that the
Registrant was required to file such reports), and (2) has been subject to
such filing requirements for the past 90 days.

Yes X

No

Indicate the number of shares outstanding of each of the issuer's shares of
stock, as of the latest practicable date.

Class

Outstanding At January 31, 1992

Common stock, \$.001 par value

11,873,760

Preferred stock, Class A, \$1.00 par value

10,300

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TEXAS SECURITIES, INC. AND SUBSIDIARIES
FORM 10-Q
PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

TEXAS SECURITIES, INC.
BALANCE SHEET

	July 31 <u>1991</u>	January 31 <u>1992</u> (Unaudited)
ASSETS		
CURRENT ASSETS		
Cash	\$36,723	\$1,765
Deposits with clearing organizations	21,763	22,585
Securities owned at market value	387,343	275,985
Receivable from broker/dealers	38,193	3,578
Investment Banking receivable	30,500	97,000
Notes receivable - related parties (Note 9)	138,878	138,878
Advances	500	
Accrued interest receivable	17,553	888
Property and equipment (at cost less accumulated depreciation) (Note 3)	24,612	22,039
Other assets	6,430	_____
TOTAL ASSETS	<u>\$702,495</u>	<u>\$262,710</u>

The accompanying footnotes form an integral part of these financial statements.

TEXAS SECURITIES, INC. AND SUBSIDIARIES
BALANCE SHEET

LIABILITIES

	<u>July 31</u> <u>1991</u>	<u>January 31</u> <u>1992</u> (Unaudited)
Accounts payable	20,000	20,000
Accrued expenses	4,469	
Settlement payable (Note 12)	56,645	34,781
Trade date payable	<u> </u>	<u>1,431</u>
TOTAL LIABILITIES	<u>81,114</u>	<u>56,212</u>

SHAREHOLDERS' EQUITY

Dividends - Preferred		(5,519)
Preferred stock (Note 8)	10,300	10,300
Common stock	11,874	11,874
Additional paid-in capital (Note 11)	1,770,593	1,770,593
Retained earnings (deficit) (Note 11)	<u>(1,171,386)</u>	<u>(1,280,742)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>621,381</u>	<u>506,506</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$702,495</u>	<u>\$62,718</u>

The accompanying footnotes form an integral part of these financial statements.

TEXAS SECURITIES, INC. AND SUBSIDIARIES-ES
STATEMENT OF OPERATIONS
(Unaudited)

	<u>Three Months Ended</u>	
	<u>January 31</u>	<u>January 31</u>
	<u>1991</u>	<u>1992</u>
Revenues		
Commissions	\$271,510	\$465,607
Net dealer inventory and investment gains (loss)	116,065	26,843
Interest	5,528	6,707
Consulting and other	<u>55,540</u>	<u>49,400</u>
	<u>448,643</u>	<u>548,557</u>
Expenses		
Employee compensation and benefits	232,975	278,377
Commissions and floor brokerage	48,344	98,213
Communications	24,745	45,830
Interest	188	3,942
Taxes, other than income taxes	10,092	0
Depreciation	1,211	1,260
Other operating expenses	<u>152,917</u>	<u>150,064</u>
	<u>470,472</u>	<u>577,686</u>
NET INCOME (Loss)	<u>\$(21,829)</u>	<u>\$(29,129)</u>
Net Income (Loss) per share	<u>\$(1.001)</u>	<u>\$(1.002)</u>
Weighted average shares outstanding	11,065,370	11,873,760

The accompanying footnotes form an integral part of these financial statements.

TEXAS SECURITIES, INC. AND SUBSIDIARIES
STATEMENT OF CASH FLOWS
(Unaudited)

	<u>Six Months Ended</u>	
	<u>January 31</u> <u>1991</u>	<u>January 31</u> <u>1992</u>
Cash flows from operating activities		
Net income (loss)	\$ (337,522)	(147,079)
Previously Recorded Market Adjustments		37,821
Adjustments to reconcile net income		
(loss) to net cash provided (Used)		
by operating activities		
Unrealized Loss	53,381	
Depreciation	2,449	2,474
Change in assets and liabilities		
Deposits with clearing organizations	16,903	(822)
Other deposits	10,150	6,430
Receivables	(74,448)	(14,719)
Securities owned	88,349	111,358
Accounts payable	2,314	
Accrued expenses	(16,950)	(4,465)
Note payable	(28,750)	(20,433)
Net cash provided (used by operating activities)	<u>(284,124)</u>	<u>(29,439)</u>
Cash flows from investing activities		
Purchases of equipment	<u>(12,150)</u>	<u> </u>
Investment in Subsidiaries	<u>(900)</u>	<u> </u>
Net cash provided (used) by investing activities	<u>(13,050)</u>	<u> </u>
Cash flows from financing activities		
Preferred dividends distributed	(4,047)	(5,519)
Proceeds from common stock issued	219,071	
	<u> </u>	<u> </u>
Net cash provided (used) by financing activities	<u>214,970</u>	<u>(5,519)</u>
Net increase (decrease) in cash	<u>(82,204)</u>	<u>(34,958)</u>
Cash at beginning of period	<u>107,941</u>	<u>16,723</u>
Cash at end of period	<u>25,737</u>	<u>1,765</u>

The accompanying footnotes form and integral part of these financial statements.

TEXAS SECURITIES, INC. AND SUBSIDIARIES
Notes to Financial Statements

Note 1 -

Organization and Operation

The Company was formed under the laws of Utah in 1984 under the name "Aperitif, Inc." for the purpose of seeking out, investigating and acquiring interests in new products, properties and businesses which might have a potential for profit. On November 22, 1985, the Company acquired Texas Securities, Inc. in a statutory merger involving an exchange of stock. The acquired Company, Texas Securities, Inc., is deemed a predecessor of the Company. The Company changed its name to Texas Securities, Inc. upon conclusion of the merger.

The Company is a broker-dealer in securities registered with the Securities and Exchange Commission under the exemption provisions of (S.E.C.) Rule 15c3-3 (K)(2)(ii) which provides that all the funds and securities belonging to the Company's customers would be carried by a clearing broker-dealer. The Company is required to promptly transmit all customer funds and securities received to the clearing broker-dealer who carries the customer accounts; therefore, the Company does not have any possession or control of customer funds or securities. The Company acts as an introducing broker under Regulation 1.57 of the Commodity Futures Trading Commission. Customer accounts are carried by a carrying futures commission merchant on a fully-disclosed basis.

The consolidated financial statements include the accounts of various subsidiaries (See Note 10). All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company does commission business with customers that are located mostly in Texas. Approximately 40% are located in the Dallas/Fort Worth metroplex, 60% are located within the State and the remainder outside the state. The Company's investment banking business has been conducted throughout the United States.

Note 2 -

Accounting Policies Followed by the Company

Securities Transactions

Securities transactions and commission revenue and expenses are recorded on a trade date basis.

Securities Valuations

Securities owned are carried at market value. The increase or decrease in net unrealized appreciation or depreciation of securities is credited or charged to operations.

Texas Securities, Inc. and Subsidiaries
Notes to Financial Statements

Note 2 -

Accounting Policies Followed by the Company
Securities Valuations (continued)

As of July 31 1990, \$485,625 of securities owned were invested in Ponder Industries, Inc., a company listed on the NASDAQ System and engaged in providing specialized oil and gas drilling products and services.

As of July 31, 1991, \$157,875 of securities owned were invested in Transcontinental Video Robotics, a company trading in the over-the-counter market and dealing in video robotics.

As of January 31, 1992, \$110,500 of securities owned in the Company's investment account were that of Transcontinental Video Robotics.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are recorded at cost. Furniture and equipment are depreciated on a straight-line and accelerated methods using estimated lives of three to seven years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease.

Earnings Per Share

Earnings per share is computed on the basis of the weighted monthly average number of common shares outstanding during each year.

Cash and Cash Equivalents

Certificates of deposit with a maturity of three months or less are defined as cash equivalents for purposes of the Statements of Cash Flows.

Note 3 -

The Company's Own Securities Reported as an Asset

The Company has in the past held some of its issued common stock in its trading account which it carried as an asset under an alternative method of generally accepted accounting principles. Most commonly this item was recorded as a reduction of stockholders' equity in the form of treasury stock. Since the Company is a broker-dealer in securities and buys and sells the securities in the open market, it recorded its own securities purchased as inventory. Such securities are reflected at cost and any gains and losses from purchases and sales would be recorded as an increase or decrease in additional paid-in capital. The Company had losses of \$3,899 in trading its own securities for the year ended July 31, 1989. The Company has not held any shares of its own stock since the Fiscal Year ending 1989. Pursuant to Rule 15c3-1 (dealing with net capital requirements) of the Securities Exchange Act of 1934, the Company had taken a 100% charge for these securities in the computation of net capital.

Texas Securities, Inc. and Subsidiaries
Notes to Financial Statements

Note 4 -

Net Capital Requirement

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital of \$25,000 as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis.

The Company had net capital of approximately \$154,733 on July 31, 1991, and approximately \$283,082 on July 31, 1990. The Company's ratio of aggregate indebtedness to net capital was .52 to 1 on July 31, 1991 and .56 to 1 on July 31, 1990. The Securities and Exchange Commission permits a ratio of no greater than 15 to 1.

As of January 31, 1992, the Company's net capital was \$105,501, with a ratio of aggregate indebtedness to net capital of .56 to 1.

Note 5 -

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements consist of the following:

	1991	1990
Furniture and equipment	\$132,039	\$117,389
Leasehold improvements	17,567	17,567
Total	149,606	134,956
Less accumulated depreciation and amortization	124,994	120,021
Net	\$24,612	\$14,935

Texas Securities, Inc. and Subsidiaries
Notes to Financial Statements

Note 6 -

Lease Commitments

The Company leases communications equipment and office space at its Fort Worth, Texas office under a non cancellable agreement. At July 31, 1991, the aggregate rental commitment under non-cancellable leases is as follows:

	Amount
1992	\$102,256
1993	102,256
1994	91,353
1995	83,740
1996	-0-
	\$379,605

Rent expense for the years ended July 31, 1991, 1990 and 1989, was \$116,002, \$101,748, and \$97,963, respectively.

Note 7 -

Federal Income Taxes

The following reconciles the Federal income tax at the prevailing income tax rate of 34% for the year ended July 31, 1989 to the amount presented in the statement of operations. The Company had losses for the years ended July 31, 1991 and 1990; therefore, there is no provision for Federal income taxes.

	1989
Federal income tax at prevailing rate	\$2,178
Effects of:	
Surtax exemption	(1,798)
Non-deductible capital losses	91,428
Unrealized losses	7,265
Other	804
Federal income tax	\$99,877

The liability for Federal income tax for the year ended July 31, 1989 is offset fully by previous years net operating losses.

Texas Securities, Inc. and Subsidiaries
Notes to Financial statements

Note 7 -

Federal Income Taxes, continued

The resulting carry forwards at July 31, 1991, are \$1,705,726 of net operating losses, \$410,263 of capital losses and \$8,954 of investment and job tax credits. These carry forwards are available to offset future income tax liabilities and expire as follows:

Year	Net Operating Loss	Capital	Tax Credits
1993	\$	\$	\$67
1994		224,795	402
1995			920
1996			4,395
1997			1,885
1998	292,996		1,285
1999	239,524		
2000			
2001			
2002			
2003	505,422		
2004	297,998	88,162	
2005	369,786	97,306	
	<u>\$1,705,726</u>	<u>\$410,263</u>	<u>\$8,954</u>

In addition to the above carryforwards, the Company has unrealized capital losses of \$480,271 which can be applied against future capital gains upon the realization of the losses.

Note 8 -

Capital Stock

The Company is authorized to issue two classes of shares designated as Common Stock and Preferred Stock. The total number of shares the Company has the authority to issue is 55,000,000. The number of Common Stock authorized is 50,000,000 shares at \$.001 par value. The number of Preferred Stock authorized is 5,000,000 shares at \$1.00 par value. The total number of shares outstanding of Common Stock as of January 31, 1992 was 11,873,760.

The Board of Directors of the Company is authorized to establish series of unissued shares of Preferred Stock. The Board has established a series of Preferred Stock designated as Class A. The number of shares which constitute such series is 100,000. These shares have no escalation feature and are callable at any time. The shares are callable at \$16.50, non-cumulative, non-

Note 8 -

Capital Stock, continued

voting, convertible into ten restricted common shares and have a dividend rate of \$1.35, payable annually on January 1st. No Preferred Stock other than Class A Preferred has been established or issued.

As of January 31, 1992, 10,300 shares of the Company's Preferred Stock was outstanding.

The following provisions relate to the Preferred Stock:

Preferences Upon Liquidation

In the event of a liquidation, or winding up of the affairs of the Company, then, before any distribution or payment shall be made to the holders of shares of common stock, the holder of preferred stock shall be entitled to be paid their par value, \$1.00, and all accrued and unpaid dividends, if any. The remaining assets, if any, will be distributed equally to all outstanding shares, preferred and common, share for share.

Insufficient Assets Upon Dissolution

If, on any voluntary or involuntary dissolution, liquidation or winding up of affairs of the Corporation, the assets of the Corporation are insufficient to permit full payment to the preferred shareholders, then the holders of any series of the preferred shares shall share ratably in any distribution of assets in proportion to the full amounts to which they would otherwise be respectively entitled.

The basis for valuing common stock issued, for other than cash, is based on the common stock's market value.

Note 9 -

Related party Transactions

Two of the Company's officers signed notes to the Company during the year ended July 31, 1989 in satisfaction of unsecured debit balances for their accounts. The interest is to be paid annually for the first four years starting August 1989. Beginning the fifth year the notes will be amortized over the following five years with payments due quarterly. Interest on the unpaid principal balance is accrued at 12%. The notes were renegotiated during the fiscal year ended July 31, 1991 to provide for the above mentioned interest only for the first 4 years. During the year ended July 31, 1991 no interest was received on these notes. One note in the principal amount of \$121,747 is collateralized by 604,365 shares of the Company's stock.

Texas Securities, Inc. and Subsidiaries
Notes to Financial Statements

Note 10 -

Subsidiaries

During the year ended July 31, 1989, the Company formed eight subsidiary corporations for the purpose of creating clean public corporations, i.e., publicly held corporations with no significant assets or liabilities, which intend to combine with a privately held operating company. The Company then intends to distribute the stock of such subsidiaries to the Company's shareholders as dividends. These companies were:

- Grand Productions, Inc.
- RPJ Search, Inc.
- GDE Search, Corporation
- GLP Search, Inc.
- T.S. Search, Inc.
- California Enterprises, Inc.
- Western Enterprises, Inc.
- Eastern Enterprises, Inc.

As of July 31, 1989 the stock of Grand Productions, Inc. ("Grand" - formerly Mark Y Enterprises, Inc.) was registered with the Securities and Exchange Commission ("SEC") under a Registration Statement on Form S-1 and distributed to the shareholders of the Company.

During the year ended July 31, 1990 the following additional subsidiary was formed:

- Florida Enterprises, Inc.

As of July 31, 1990 GDE Search Corporation ("GDE") was registered with the SEC under a Registration Statement on Form S-1. GDE acquired all of the outstanding common stock of Ponder Industries, Inc. The transaction was accounted for as a reverse acquisition of GDE by Ponder; thereupon, GDE changed its name to Ponder. The Company then distributed its shares in GDE to the shareholders of the Company. GDE also issued stock to certain officers of GDE, all of whom were also officers of the Company.

During the year ended July 31, 1991 the following wholly owned subsidiaries were formed:

- Qualified Acquisition Partners, Inc.
- TSI Venture Enterprises, Inc.
- Eastern Capital Corporation

And the following subsidiaries were dissolved:

- TSI Venture Enterprises, Inc.
- Eastern Capital Corporation
- Florida Enterprises, Inc.

Texas Securities, Inc. and Subsidiaries
Notes to Financial Statements

Note 10 -

Subsidiaries, continued

The following subsidiaries were dissolved in August of 1991:

RPJ Search Corporation
Eastern Enterprises, Inc.

The following subsidiaries were relinquished to third parties for legal services rendered:

California Enterprises, Inc.
T.S. Search Corporation
GLP Search Corporation
Western Enterprises, Inc.

As of January 31, 1992, Qualified Acquisition's Registration Statement previously filed with the SEC was withdrawn by the Company. Therefore, as of January 31, 1992 there are no pending Registration Statements filed by the Company. Qualified Acquisition Partners, Inc. remains as the sole subsidiary of the Company, but is not active at this time.

Note 11 -

Paid-In Capital Transfer

The Company transferred \$523,299 and \$1,287,007 from paid-in capital in excess of par to retained earnings during the years ended July 31, 1989 and 1988, respectively to comply with state laws in effect at that time. These transfers created a positive retained earnings to enable the Company to distribute the stock of Grand Productions, Inc. during the year ended July 31, 1989 (See Note 10) and various subsidiaries during the year ended July 31, 1988.

Note 12 -

Settlement payable

On October 12, 1990 the Company submitted a settlement proposal to the National Association of Security Dealers, Inc. ("NASD") with regard to a complaint issued by the NASD on April 30, 1990. Under the proposed settlement agreement, the Company will pay \$115,000 in fines according to the following terms:

25% due January, 1991 plus a 10% surcharge and the balance due over 24 months.

In December 1990, the above settlement proposal was approved by the NASD. As of January 31, 1992, the Company had a balance payable of \$34,781 under the terms of the agreement.

Texas Securities, Inc. and Subsidiaries

Item 2. Management's Discussion an Analysis of Results of Operations and Financial Condition.

3 Months and 6 Months ended January 31, 1991 and 1992

The three month period for quarter ended January 31, 1992 ("2nd quarter 1992") showed a increase in revenues of \$99,914 as compared to the quarter ended January 31, 1991 ("2nd quarter 1991"). The major factor causing this is due to a direct increase in commissioned sales. The Company experienced a surge in trading activity in customer accounts. Investment account gains decreased from \$116,065 in 1991 to \$26,843 in 1992, for their respective 2nd quarters. The six month period ending January 31, 1992 also showed an increase in revenues from 1991 of \$130,754. Gross revenues for the six month period ending January 31, 1992 were \$878,227 as compared to revenues of \$747,473 for January 31, 1991. Six month period net loss for the Company decreased to \$(147,078) in January 1992 from \$(337,520) in 1991.

Total expenses increased for the quarter ending January 31, 1992 by \$107,214 from the same quarter for 1991. However, total expenses for the six month period ending January 31, 1992 decreased by \$59,689 from the same six month period ending January 31, 1991. This decrease was due primarily to the reduction of customer charge offs for the 2nd quarter ending 1992. Charge offs consist of amounts where the customer did not pay for the trade, or an error in making the transaction occurred. Additionally, total liabilities for the 2nd quarter of 1992 decreased by \$59,732 from the 2nd quarter for 1991. This is due to the reduction in the NASD settlement amount due. Total assets for January 31, 1992 were \$562,718 as compared to \$811,380 in 1991. This reduction in assets was due to a decrease in the market value of the Company's investment account.

Liquidity and Capital Resources

The Company deems its working capital adequate. Its net capital, computed under the Rules of the Securities and Exchange Commission, which is reflection of liquidity, was \$154,733 on July 31, 1990, as compared to \$105,501 on January 31, 1992. The Company has no long term debt. The Company deems its liquidity position satisfactory in light of its requirements for cash. The company has no subordinated liabilities.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company encountered no legal proceedings during the reportable period.

Item 2. Changes in Securities

The rights evidenced or defined by any class of registered securities have not been materially limited, qualified, or modified in any way by the Company during the reportable period.

Item 3. Defaults upon Senior Securities

Not applicable

Item 4 Submission of Matters to a Vote of Security Holders

Not applicable

Item 5. Other Information

None

Item 6 Exhibits and Reports on Form 8-K

The Company has not filed any reports on Form 8-K during the quarter for which this report is filed.

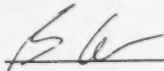
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TEXAS SECURITIES, INC.

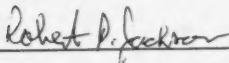
Registrant

March 3, 1992



Bruce Barton Allen II, President and
Chief Executive Officer

March 3, 1992



Robert P. Jackson, V. President
and Chief Financial Officer